

Financial & Operating Highlights

(All references to \$ are United States dollars unless otherwise noted)

	Three months ended			Six months ended		
	June 30, 2009	2008	% Change	June 30, 2009	2008	% Change
Financial						
(US\$000s, except where noted)						
Crude oil revenue	104,823	77,915	35	181,175	147,507	23
Funds flow from operations ⁽¹⁾	64,098	53,225	20	105,944	98,378	8
Per share – basic (\$)	0.65	0.53	23	1.07	0.98	9
– diluted (\$)	0.63	0.51	24	1.05	0.94	12
Net income	15,323	30,687	(50)	22,711	52,915	(57)
Per share – basic (\$)	0.16	0.31	(48)	0.23	0.53	(57)
– diluted (\$)	0.15	0.30	(50)	0.23	0.51	(55)
Capital expenditures	79,527	79,714	-	144,898	148,212	(2)
Total assets	633,237	504,607	25	633,237	504,607	25
Net debt ⁽¹⁾	(99,203)	(41,391)	140	(99,203)	(41,391)	140
Common shares outstanding, end of period (000s)						
Basic	97,930	100,654	(3)	97,930	100,654	(3)
Diluted ⁽²⁾	104,383	105,980	(2)	104,383	105,980	(2)
Operations						
Operating netback (\$/bbl) ⁽³⁾						
Crude oil revenue ⁽⁴⁾	47.96	114.57	(58)	40.90	99.23	(59)
Royalties	4.30	10.83	(60)	3.98	9.42	(58)
Production expenses	6.76	10.75	(37)	6.34	10.78	(41)
Operating netback	36.90	92.99	(61)	30.58	79.03	(62)
Average daily crude oil production (bbls) ⁽⁵⁾						
	21,548	7,339	194	21,659	7,987	171

⁽¹⁾ Non-GAAP measure. See “Non-GAAP Measures” section within MD&A. The Company defines net debt as bank debt plus principal amount of convertible debentures and accounts payable less current assets.

⁽²⁾ Consists of common shares, stock options and deferred common shares outstanding as at the period end date.

⁽³⁾ Excludes hedging activities.

⁽⁴⁾ Net of transportation expenses.

⁽⁵⁾ Actual production sold for the three and six months ended June 30, 2009 was 21,390 bopd and 21,399 bopd, respectively (2008 – 7,339 bopd and 7,987 bopd).

Highlights of the Second Quarter of 2009

(comparisons are second quarter 2009 compared to the second quarter of 2008)

- Crude oil production increased 194% to 21,548 barrels of oil per day (“bopd”) due to drilling successes in Corcel, Mapache and Neiva.
- July production averaged 21,922 bopd.
- Funds flow from operations increased by 20% to \$64.1 million (\$0.63 per share diluted) despite significantly lower world oil prices.
- Recorded net income of \$15.3 million (\$0.15 per share diluted).
- Phase I of Monterrey offloading facility operational at 11,000 bopd capacity; commenced crude oil deliveries to the facility July 9, 2009.

OPERATIONAL REVIEW

Petrominerales' cash flow grew to \$64.1 million, or \$0.63 per share, in the second quarter of 2009, a 20% increase from the second quarter of 2008 despite 52% lower world oil prices. This organic cash flow growth is due to drilling success in Corcel, Mapache and Neiva that resulted in a 194% increase in production. Improvements in production operations and facilities reduced operating expenses to \$6.76 per barrel, a 37% decrease over the second quarter of 2008. Petrominerales reported net income in the quarter of \$15.3 million, or \$0.15 per share, on the strength of the Company's high operating netbacks, production growth and efficient cost structure.

Corcel

During the second quarter, our exploration program continued on the block with the drilling and completion of the Corcel-E1 exploration well, drilling Corcel-F1, and initial drilling operations on Boa-1 (formerly called B1). Production averaged 13,801 bopd in the second quarter and was negatively impacted by three well workovers in June and natural production declines, offset by new production from Corcel-E1. On May 26, Corcel-E1 was placed on production in the Lower Sand 1 formation at initial rate of 4,900 bopd. In June, Corcel-C3 was off production for 25 days to repair the down-hole pump. In addition, Corcel-E1 and D1 underwent work-overs which resulted in the wells being off production for 21 and 8 days, respectively. In July, Corcel production averaged 13,268 bopd.

Testing operations on our Corcel-F1 well were completed on July 29, 2009. The test results indicated that the Lower Sand 1, Guadalupe and Mirador formations are wet or cannot produce hydrocarbons at commercial rates. Corcel-F1 was the first of our Corcel exploration wells drilled on the east side of the main Corcel fault. Petrophysical data indicates that hydrocarbons have migrated through the reservoir quality rocks encountered in F1, indicating the potential for new play concepts at Corcel, and will be incorporated into our geological model going forward. As part of this review we are planning to acquire additional 3D seismic adjacent to the existing Corcel 3D on the southeast corner of the Corcel block to help define these new play ideas and identify new drilling targets. The well will now be completed for water injection service.

Boa-1 commenced drilling on June 26, 2009 and reached a total depth of 12,875 feet on July 25, 2009. Electric logs indicate 48 feet of potential net oil pay in the Lower Sand 1 and Lower Sand 2 formations. The potential pay in the Lower Sand 2 was not expected but is indicative of the multi-zone potential in Corcel. The well has been cased and we expect to have the results of the testing program by the end of August.

The drilling rig at Corcel is now being mobilized to Corcel-A2, where it will drill a side-track, targeting the top of the Corcel A structure. Corcel-A4, the structurally highest well, is not draining the top of the A structure efficiently due to a poor cement job. The rig will then be mobilized to our Guatiquia block for a two-well exploration program targeting the Percheron and Candelilla structures prior to returning to Corcel to continue our ongoing Corcel exploration program.

The Corcel central processing facility is now capable of handling 80,000 barrels of fluid per day. An upgrade to 140,000 barrels of fluid per day is expected to be completed during the third quarter.

In July, we completed Phase I construction of the Monterrey offloading facility with a delivery capacity of 11,000 bopd. Oil deliveries to the facility commenced July 9, 2009. Final delivery capacity of 20,000 bopd is expected to be available in the fourth quarter of this year. The facility is the closest offloading station to Corcel, 77 kilometers away, and has now reduced our trucking costs for volumes delivered to Monterrey to under \$3.00 per barrel.

Neiva

On our Neiva block, we have drilled 24 new wells in 2009, 17 in the Doima Chicoral and seven in the Honda formation as part of our multi-well development drilling program. Twenty wells have been completed and are on production, three in the Honda and 17 in the Doima Chicoral. Neiva production averaged 2,358 bopd in the second quarter, a 435% increase from 2008, and averaged 3,511 bopd in July. These increases reflect the effectiveness of our innovative multi-stage fracture stimulation technique, now being used to complete these wells. We have expanded our inventory of drilling locations and plan to drill up to 15 additional wells in 2009. In addition, we have performed five recompletions using our multi-stage fracture stimulation technique and are planning an additional ten recompletions in 2009.

Orito

Orito production averaged 3,695 bopd in the second quarter and averaged 3,983 bopd in July. Orito production increased 11% over the first quarter of 2009 due to the resumption of normal operations after a general strike in the Putumayo basin that shut-in operations for part of the fourth quarter of 2008 and part of the first quarter of 2009. Production also increased from the results of three new wells coming on production that were drilled in the first quarter. We have temporarily suspended our development drilling program as part of our strategy to refocus capital deployment to the highest value-add areas of our portfolio. We have received expressions of interest for our Orito property and we are considering a sale of this non-core asset.

Mapache

Mapache production averaged 1,694 bopd during the second quarter and 1,160 bopd in July. In April, we completed the acquisition of 91 square kilometres of 3D seismic to the south and on-trend with our initial discoveries. This program has confirmed an extensive fault trend extending along the length of the block. We plan to drill at least two wells on the block in 2010.

Exploration

Our three-well heavy oil exploration drilling program on our 818,650 acre land position in the southern Llanos basin commenced in June with the drilling of our Chiguiro Este-1 well. Drilling and logging operations were completed on July 2 and logs indicated that the sands in the Carbonera and Mirador formations were predominantly wet or contained non-commercial quantities of hydrocarbons; consequently the well was abandoned. The second well in the program, Chiguiro Oeste-1, commenced drilling on July 12, 2009 and reached a total depth of 4,984 feet on July 19, 2009. Electric logs indicate 56 feet of potential net oil pay in the Mirador formation. We have made the decision to case the well and we expect to have the results of the testing program by the end of August. Following completion of testing operations at Chiguiro Oeste-1, we will be moving the rig to the Rio Ariari block to drill Rio Ariari-1, which we expect to commence drilling by the end of August.

To date in 2009, we have acquired 338 square kilometres (km²) of 3D seismic; in addition to the 91 km² acquired on the Mapache block, we acquired 100 km² of 3D and 14 km of 2D in Castor, 97 km² in Casanare Este, and 50 km² in Rio Ariari. We will complete our 2009 seismic program with the acquisition of 85 km² of 3D seismic in Casimena, where we are currently in the field. These seismic programs will satisfy our current phase commitments on the Castor, Casanare Este and Casimena blocks. Our enhanced 3D seismic database is expected to further define previously identified leads and structures derived from our extensive 2D seismic data set.

On our Guatiquia Block, immediately southwest of Corcel, the first of our two-well exploration drilling program is expected to commence drilling by mid-September. These wells will target two separate prospects identified from 3D seismic and will satisfy both our 2009 and 2010 work commitments.

On our Blocks 25 and 31, two contiguous blocks north of Corcel and on trend with the “super giant” Cusiana-Cupiagua fields, we are currently reprocessing the existing 2D seismic grid, from which several preliminary leads have been identified, and we are planning a 3D seismic program for 2010. The first phase of these contracts has a term of 36 months, and our work commitments include acquiring 3D seismic and drilling exploration wells on both properties. In 2009, we will conduct environmental studies with plans to commence our exploration program in early 2010.

Petrominerales acquired a 55 percent interest in the 2.6 million acre Block 126 in the Ucayali Basin of Peru last November. In May, we received approval on the Environmental Impact Assessment from the Peruvian government relating to Block 126 in the Ucayali Basin of Peru. We have planned an exploration program that will include the acquisition of 150 km² of 3D seismic and 50 kilometres of 2D seismic, which is likely to commence later this year or in early 2010, depending on the timing of approvals. Initial activities on the block included the reinterpretation of 1,200 kilometres of 2D seismic, which has been completed and confirmed a large anomaly, the La Colpa structure, which was encountered by a well drilled on the block 20 years ago. Initially, two other structural leads have also been identified from the existing reprocessed 2D seismic. The first exploration well on the block could be drilled in late 2010.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") is dated August 5, 2009 and should be read in conjunction with the unaudited consolidated financial statements and accompanying notes of Petrominerales Ltd. ("Petrominerales" or the "Company") as at and for the three and six months ended June 30, 2009, MD&A for the year ended December 31, 2008, and the audited consolidated financial statements as at and for the year ended December 31, 2008. Additional information for the Company, including the Annual Information Form ("AIF") can be found on SEDAR at www.sedar.com or at www.petrominerales.com. All amounts are in United States dollars, unless otherwise stated and all tabular amounts are in thousands of United States dollars, except share amounts or as otherwise noted.

In addition to historical information, the MD&A contains forward-looking statements that are generally identifiable as any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events of performance (often, but not always, through the use of words or phrases such as "will likely result," "expected," "is anticipated," "believes," "estimated," "intends," "plans," "projection" and "outlook"). These statements are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in such forward-looking statements. Actual results achieved during the forecast period will vary from the information provided herein as a result of numerous known and unknown risks and uncertainties and other factors. Such factors include, but are not limited to: general economic, market and business conditions; fluctuations in oil and gas prices; the results of exploration and development drilling and related activities; fluctuation in foreign currency exchange rates; the uncertainty of reserve estimates; changes in environmental and other regulations; risks associated with oil and gas operations, timing of completion of the Monterrey facility and expected trucking cost savings and other factors, many of which are beyond the control of the Company. Accordingly, there is no representation by Petrominerales that actual results achieved during the forecast period will be the same in whole or in part as those forecasted. Except to the extent required by law, Petrominerales assumes no obligation to publicly update or revise any forward-looking statements made in this MD&A or otherwise, whether as a result of new information, future events or otherwise. All subsequent forward-looking statements, whether written or oral, attributable to Petrominerales or persons acting on the Company's behalf, are qualified in their entirety by these cautionary statements.

Non-GAAP Measures

This report contains financial terms that are not considered measures under Canadian generally accepted accounting principles ("GAAP"), such as funds flow from operations, funds flow per share, net debt and operating netback. These measures are commonly utilized in the oil and gas industry and are considered informative for management and shareholders. Specifically, funds flow from operations and funds flow per share reflect cash generated from operating activities before changes in non-cash working capital. Management considers funds flow from operations and funds flow per share important as they help evaluate performance and demonstrate the Company's ability to generate sufficient cash to fund future growth opportunities and repay debt. Net debt is used to evaluate financial leverage and includes bank debt plus the principal amount of convertible debentures and accounts payable and accrued liabilities, less current assets. Management considers operating netback important as it is a measure of profitability per barrel of production. Funds flow from operations, funds flow per share, net debt and operating netbacks may not be comparable to those reported by other companies nor should they be viewed as an alternative to cash flow from operations, net income or other measures of financial performance calculated in accordance with GAAP.

Petrominerales Ltd. (“Petrominerales” or the “Company”), is a public company listed on the Toronto Stock Exchange and was incorporated in the Bahamas on April 20, 2006. Petrominerales is involved in the exploration, development and production of crude oil in Colombia and Peru. Petrominerales is owned 67% by Petrobank Energy and Resources Ltd. (“Petrobank”) (TSX:PBG).

FINANCIAL REVIEW

(comparisons are second quarter 2009 compared to the second quarter of 2008 unless otherwise noted)

Average Daily Crude Oil Production ⁽¹⁾	Three months ended June 30,			Six months ended June 30,		
	2009	2008	Change	2009	2008	Change
Corcel	13,801	3,582	285%	15,525	4,197	270%
Orito	3,695	3,316	11%	3,189	3,335	(4%)
Neiva	2,358	441	435%	1,745	412	324%
Mapache and others	1,694	-	-	1,200	43	2691%
Total (bopd)	21,548	7,339	194%	21,659	7,987	171%

⁽¹⁾ Represents crude oil produced in the period. Actual sales volumes may be different due to crude oil in transit at the period end date. Sales volumes in the second quarter of 2009 were 21,390 bopd and in the six months ended June 30, 2009 were 21,399 bopd.

Production for the three and six months ended June 30, 2009 increased significantly over the comparable 2008 periods, 194% and 171%, respectively. Production increases in 2009 are primarily due to drilling successes in Corcel, Mapache and Neiva. In Corcel, the Company had six more wells on production in the second quarter of 2009 compared to 2008. In Mapache, two successful exploration wells, Mapache-1 and Mirasol-1, were brought on production in March of 2009. In Neiva, production increased 435% due to the results of our recent drilling program that added 10 new production wells in the second quarter of 2009, 17 wells year-to-date.

Production for the second quarter of 2009 was negatively affected by work-overs performed on three Corcel wells in June. The Corcel-C3, D1 and E1 wells were off production for 25, 8 and 21 days, respectively.

Average Benchmark and Realized Prices	Three months ended June 30,			Six months ended June 30,		
	2009	2008	Change	2009	2008	Change
WTI (\$/bbl)	59.79	123.80	(52%)	51.68	111.12	(53%)
Price differentials	5.94	7.15	(17%)	4.90	9.65	(49%)
Price differentials as a percent of WTI	10%	6%	67%	9%	9%	-
Transportation costs	5.89	2.08	183%	5.88	2.24	163%
Realized oil price, net of transportation (\$/bbl)	47.96	114.57	(58%)	40.90	99.23	(59%)

Average realized oil prices decreased 58% to \$47.96 per barrel mainly due to decreases in benchmark WTI prices. The price differential as a percentage of WTI increased in the second quarter of 2009 as a portion of the differential is fixed while 2009 WTI prices were at lower levels than 2008.

All Corcel and Mapache production is trucked to various offloading stations. Transportation costs increased to \$5.89 per barrel from \$2.08 per barrel in the second quarter of 2009, averaged over total Company sales volumes in the quarter. Transportation costs increased due to production from Corcel and Mapache that were trucked to more distant offloading stations.

Access to pipeline and offloading infrastructure is critical to growing production in the region. Petrominerales has secured additional offloading capacity with the construction of the Monterrey facility that will give Petrominerales up to an additional 20,000 bopd of incremental offloading capacity. Phase I of the facility (11,000 bopd capacity net to Petrominerales) was completed in the second quarter and oil deliveries commenced on July 9, 2009. The additional offloading capacity is expected to be available in the fourth quarter of 2009. Monterrey is the closest offloading station to Corcel and has now reduced our trucking costs for volumes delivered to Monterrey to under \$3.00 per barrel.

Oil Revenue

Crude oil revenue increased 35% and 23%, for the three and six months ended June 30, 2009, respectively. The increases are due to significant production increases offset by unfavourable price variances as a result of lower world oil prices.

Reconciliation of Changes in Revenue	Three months ended June 30,		Six months ended June 30,	
Oil revenue, June 30, 2008	77,915		147,507	
Sales volume variance	149,162		245,526	
Price variance	(122,254)		(211,858)	
Oil Revenue, June 30, 2009	104,823		181,175	
\$ change in revenue	26,908		33,668	
% change in revenue	35%		23%	

Royalties	Three months ended June 30,			Six months ended June 30,		
	2009	2008	Change	2009	2008	Change
Royalties	8,355	7,346	14%	15,443	13,806	12%
\$ per bbl	4.30	10.83	(60%)	3.98	9.42	(58%)
Royalties as a percent of realized oil price	9%	9%	-	10%	9%	11%

Colombian government royalties are fixed at a rate of eight percent until the Company's net production per field exceeds 5,000 bopd, and then increase by one percent for each incremental 10,000 bopd of production per field. In addition, there is an eight percent net profits interest ("NPI") applicable to the Corcel block. Royalties as a percentage of realized oil prices increased to 10% in the six months ended June 30, 2009, as a higher proportion of production is coming from Corcel and is subject to the NPI.

Production Expenses	Three months ended June 30,			Six months ended June 30,		
	2009	2008	Change	2009	2008	Change
Production expenses	13,164	7,176	83%	24,580	15,682	57%
\$ per bbl	6.76	10.75	(37%)	6.34	10.78	(41%)

The Company completed the first-phase expansion of the Corcel central processing facilities in July 2008 to increase fluid handling capacity to 70,000 barrels of fluid per day. These permanent facilities replaced higher cost, less efficient temporary facilities resulting in improved production expenses through the last two quarters of 2008 and into 2009. In addition, as a portion of the Company's production expenses are fixed, when combined with higher production, has resulted in lower per barrel production expenses. As a result, production expenses decreased 37% and 41%, respectively, for the three and six months ended June 30, 2009 compared to 2008.

The Colombian national oil company, Ecopetrol, is responsible for primary production operations at Orito and Neiva at a cost (subject to annual inflation, currency, and other adjustments) of \$4.83 per barrel and \$2.63 per barrel, respectively, in 2009.

General and Administrative Expenses	Three months ended June 30,			Six months ended June 30,		
	2009	2008	Change	2009	2008	Change
General and administrative expenses	2,732	2,681	2%	5,483	5,115	7%
\$ per bbl	1.40	4.01	(65%)	1.42	3.52	(60%)

General and administrative expenses were slightly higher in 2009 as a result of expanding operations but have decreased significantly on a unit of production basis due to higher production levels.

Stock-Based Compensation Expenses	Three months ended June 30,			Six months ended June 30,		
	2009	2008	Change	2009	2008	Change
Stock-based compensation expenses	1,232	667	85%	2,368	1,077	120%

Stock-based compensation expenses relate to stock options and the deferred common shares granted. The calculation of this non-cash expense is based on the fair value of stock options and deferred common shares granted, amortized over the vesting period of the option, or immediately upon grant of the deferred common shares. The increase in 2009 stock-based compensation is due to higher stock options outstanding and amortization of incremental costs associated with the exercise price modification of certain non-executive stock options in the fourth quarter of 2008.

Interest Expense	Three months ended June 30,			Six months ended June 30,		
	2009	2008	Change	2009	2008	Change
Cash interest and standby charges	999	1,408	(29%)	2,194	2,803	(22%)
Accretion on convertible debentures	1,090	1,208	(10%)	2,142	2,388	(10%)
Amortization of deferred financing costs	129	129	-	258	216	19%
Interest expense	2,218	2,745	(19%)	4,594	5,407	(15%)

Interest expense decreased in the three and six months ended June 30, 2009 due mainly to \$18.3 million of convertible debentures being repurchased in 2008.

Foreign Exchange Loss (Gain)	Three months ended June 30,			Six months ended June 30,		
	2009	2008	Change	2009	2008	Change
Foreign exchange loss (gain)	6,124	(906)	-	3,315	1,411	135%

The Colombian peso appreciated 16% relative to the U.S. dollar in the three months ended June 30, 2009, from 2,561:1 at January 1, 2009 to 2,159:1 at June 30, 2009. This change in exchange rates resulted in a \$6.1 million foreign exchange loss primarily on Colombian peso denominated accounts payable and future income tax liabilities. During the six months ended June 30, 2009, the Colombian peso appreciated 4% relative to the U.S. dollar which resulted in a \$3.3 million foreign exchange loss. Changes in the Colombian peso exchange rate impact the Company's U.S. dollar denominated expenses and expenditures as approximately 60% of the Company's expenditures are incurred in Colombian pesos.

Depletion, Depreciation and Accretion (“DD&A”) Expenses

	Three months ended June 30,			Six months ended June 30,		
	2009	2008	Change	2009	2008	Change
DD&A expenses	39,423	14,517	172%	80,556	30,809	161%
\$ per bbl	20.25	21.74	(7%)	20.80	21.19	(2%)

Depletion, depreciation and accretion expense increased in the three and six months ended June 30, 2009 168% and 160%, respectively, compared to 2008, due mainly to a 194% and 171% production increase during the same periods. The depletion rate per barrel decreased in 2009 mainly due to proved reserve additions from drilling successes at Corcel, Mapache and Neiva.

Tax Expense

	Three months ended June 30,			Six months ended June 30,		
	2009	2008	Change	2009	2008	Change
Presumptive income tax	717	556	29%	1,498	1,098	36%
Equity tax	460	1,205	(62%)	861	1,580	(46%)
Future income tax (recovery)	3,775	537	603%	(2,697)	5,210	-
Taxes (recovery)	4,952	2,298	115%	(338)	7,888	-

Presumptive income tax is charged in periods where taxable income is below certain thresholds, and when paid, can be carried forward for five years and be recovered against income taxes in future periods. Equity tax is based on equity capitalization levels in Colombia. The Company’s pre-tax income is subject to the Colombian statutory income tax rate of 33%.

Net Income

The decrease in net income between the second quarter of 2008 and 2009 and the six months ended June 30, 2008 and 2009 is primarily due to lower commodity prices and depletion offset by higher sales volumes, as summarized below:

Reconciliation of Changes in Net Income	Three months ended June 30,		Six months ended June 30,	
	(000’s)	Per share, diluted	(000’s)	Per share, diluted
Net Income, June 30, 2008	30,687	0.30	52,915	0.51
Increase (decrease) due to:				
Sales volumes	149,162	1.49	245,526	2.47
Realized oil prices	(122,254)	(1.22)	(211,858)	(2.12)
Royalties	(1,009)	(0.01)	(1,637)	(0.02)
Operating expenses	(5,988)	(0.06)	(8,898)	(0.09)
Transportation expenses	(10,081)	(0.10)	(19,461)	(0.20)
General and administrative expenses	(51)	(0.00)	(368)	0.00
DD&A	(24,906)	(0.25)	(49,747)	(0.50)
Taxes	(2,654)	(0.03)	8,226	0.09
Other ⁽¹⁾	2,417	0.03	8,013	0.09
Net Income, June 30, 2009	15,323	0.15	22,711	0.23

⁽¹⁾ Other includes interest income, gain (loss) on risk management contracts, stock-based compensation expenses, interest expense and foreign exchange (gain) loss.

Funds Flow from Operations

The increase in funds flow from operations between the second quarter of 2008 and 2009 and the six months ended June 30, 2008 and 2009 is primarily due to higher sales volumes offset by lower commodity prices and related operating expenses, as summarized below:

Reconciliation of Changes in Funds Flow from Operations

	Three months ended June 30,		Six months ended June 30,	
	(000's)	Per share, diluted	(000's)	Per share, diluted
Funds Flow from Operations, June 30, 2008	53,225	0.51	98,378	0.94
Increase (decrease) due to:				
Sales volumes	149,162	1.45	245,526	2.40
Realized oil prices	(122,254)	(1.19)	(211,858)	(2.05)
Royalties	(1,009)	(0.01)	(1,637)	(0.02)
Operating expenses	(5,988)	(0.06)	(8,898)	(0.09)
Transportation expenses	(10,081)	(0.09)	(19,461)	(0.19)
General and administrative expenses	(51)	0.00	(368)	0.00
Foreign exchange	(3,904)	(0.04)	(1,298)	(0.01)
Interest	194	0.01	(829)	(0.01)
Risk management contracts	4,220	0.03	6,070	0.05
Taxes	584	0.01	319	0.01
Funds Flow from Operations, June 30, 2009	64,098	0.62	105,944	1.03

The following table shows the reconciliation of funds flow from operations to cash flow from operating activities for the periods noted:

	Three months ended June 30,			Six months ended June 30,		
	2009	2008	Change	2009	2008	Change
Funds flow from operations: Non-GAAP	64,098	53,225	20%	105,944	98,378	8%
Changes in non-cash working capital	1,190	(12,820)	-	(42,267)	(68,066)	-
Cash flow from operating activities: GAAP	65,288	40,405	62%	63,677	30,312	110%

Capital Expenditures

Three months ended June 30, 2009	Seismic	Drilling and completions	Facilities and infrastructure	HSEC	Total
Corcel	137	15,858	8,466	972	25,433
Orito	97	5,893	367	186	6,543
Neiva	97	18,744	2,187	226	21,254
Mapache	3,211	261	4,347	257	8,076
Exploration	11,468	1,466	4,269	1,018	18,221
Total	15,010	42,222	19,636	2,659	79,527

Capital expenditures at Corcel included drilling the E1 and F1 wells and initial drilling operations on the Boa-1 well, completing the Corcel-E1 well, facilities costs to tie-in D structure production and related civil works. Orito expenditures included completing two wells. Neiva expenditures included drilling eight oil wells and completing 10 wells. Mapache expenditures include the construction of early production facilities, and the acquisition of 91 square kilometres of 3D seismic. Exploration activity included initial drilling costs of the Chiguero Este-1 well, infrastructure work preparing future exploration drilling locations and costs associated with seismic acquisition programs in Rio Ariari, 100 square kilometres of 3D, 14 kilometres of 2D seismic at Castor and 97 square kilometres of 3D seismic at Casanare Este.

Capital Expenditures		Drilling and	Facilities and		
Six months ended June 30, 2009	Seismic	completions	infrastructure	HSEC	Total
Corcel	162	28,775	14,189	1,923	45,049
Orito	180	21,514	776	364	22,834
Neiva	188	31,702	4,106	554	36,550
Mapache	4,598	3,188	5,434	325	13,545
Exploration	15,966	2,209	7,065	1,680	26,920
Total	21,094	87,388	31,570	4,846	144,898

SUMMARY OF QUARTERLY RESULTS

	2009		2008				2007	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Financial (\$000s except where noted)								
Oil revenue	104,823	76,352	70,610	125,065	77,915	69,592	71,325	29,292
Funds flow from operations	64,098	41,846	57,813	78,343	53,225	45,153	51,778	20,201
Per share – basic (\$)	0.65	0.42	0.58	0.78	0.53	0.45	0.52	0.21
– diluted (\$)	0.63	0.42	0.56	0.75	0.51	0.43	0.50	0.20
Net income	15,323	7,388	20,278	57,951	30,687	22,228	23,491	10,242
Per share – basic (\$)	0.16	0.07	0.20	0.58	0.31	0.22	0.23	0.11
– diluted (\$)	0.15	0.07	0.20	0.57	0.30	0.21	0.23	0.10
Capital expenditures	79,527	65,371	46,861	73,080	79,714	68,498	37,216	39,895
Operations								
Operating netback (\$/bbl)								
WTI benchmark price	59.79	43.08	59.08	118.22	123.80	97.82	90.50	75.15
Realized oil price, net of transportation	47.96	33.79	45.57	105.90	114.57	86.19	77.87	69.85
Royalties	4.30	3.67	3.90	11.22	10.83	8.22	7.88	6.07
Production expenses	6.76	5.92	6.45	8.02	10.75	10.82	7.49	7.16
Operating netback	36.90	24.20	35.22	86.66	92.99	67.15	62.50	56.62
Average daily oil production (bbls)	21,548	21,771	15,344	12,485	7,339	8,635	9,575	4,522

Significant factors influencing quarterly results were:

- Since mid-2007, production has steadily grown, mainly due to drilling successes in the Corcel block.
- Second quarter of 2008 production was impacted by the Corcel-A1 and A2 wells being offline for 24 and 15 days, respectively, for workover operations.
- Third quarter 2008 production increased due to production additions from the Corcel-A4 and C1 wells.
- Fourth quarter 2008 production increased due mainly to new production additions from the Corcel-C3 and D1 wells, offset by a temporary suspension of operations at the Orito field from November 20, 2008 to January 5, 2009 due to a general strike in the Putumayo region.
- First quarter 2009 production increased due mainly to the Corcel-D2 well, two wells on the Mapache block, and six new wells at Neiva.
- Second quarter 2009 production increased mainly due to ten new wells at Neiva, new production from Corcel-D3 and E1 wells offset by three Corcel wells off-line due to well repairs.
- Since the end of the third quarter of 2008, crude oil prices have declined significantly, which negatively affected crude oil revenues, funds flow from operations and net income for the fourth quarter of 2008 and the first and second quarters of 2009.

LIQUIDITY AND CAPITAL RESOURCES

The current economic slowdown and low commodity markets have impacted the Company's operations and plans for 2009. The Company believes it is well positioned having low financial leverage (0.5 to 1.0 net debt to annualized cash flows), \$70 million available on our credit facility, assets that are providing strong production growth and operating netbacks along with an inventory of exploration prospects. The current economic environment, while challenging, is opening up opportunities and has resulted in lower costs and more availability of equipment and services. For the remainder of 2009, the Company will continue to balance future capital spending with expected future cash flows and available bank debt.

Capital Structure

The Company manages its capital structure and makes adjustments in response to changes in economic conditions and the risk characteristics of the underlying assets. The Company's capital structure includes the following:

As at	June 30, 2009	December 31, 2008
Bank debt ⁽¹⁾	\$ 10,000	\$ -
Working capital deficiency (surplus)	\$ 7,503	\$ (48,899)
Convertible debentures – principal amount ⁽²⁾	\$ 81,700	\$ 81,700
Common share capital	\$ 193,071	\$ 194,859

(1) Petrominerales has a secured credit facility with a borrowing base of \$80.0 million. The Company has a Colombian operating line of credit of \$18.6 million.

(2) The debentures mature December 6, 2010, are convertible into common shares at U.S.\$27.3485 per share and have an annual coupon of 3.375%, payable semi-annually in cash or common shares. Petrominerales has an option to force conversion of the debentures at the prevailing conversion price after December 6, 2009, should the price of the Company's common shares exceed 130% of the prevailing conversion price of the debentures for 20 trading days within a period of 30 consecutive trading days.

Petrominerales has a history of generating positive funds flow from operations, and recorded funds flow from operations of \$64.1 million in the second quarter of 2009 and \$105.9 million for the first six months of 2009, during a period of depressed oil prices. Sources of additional funds include the following:

- The Company could raise funds through the issuance of additional common shares.
- Petrominerales may sell producing or non-producing assets. Incremental cash resources generated as a result would be reduced by any resulting decreases in future cash flows and any required debt payments.
- An alternative financing vehicle is pre-export financing or a pre-sale of a portion of future crude oil production in Colombia. Petrominerales currently sells the majority of its production to the national oil company, Ecopetrol, but can elect to export the crude oil directly.
- Borrowing base increases on the Company's secured credit facility or other debt offerings, convertible or otherwise.

The Company's bank debt agreement matures on December 20, 2009. Petrominerales has initiated a process with the lender to re-new the bank facility and adjust the borrowing base to reflect current reserves.

The Company is in compliance with the covenants contained in its convertible debenture and credit facility agreements. In its credit facility agreement, the financial covenants are to maintain a ratio of bank

debt to trailing 12 month earnings before interest, tax, depletion, depreciation and amortization under 2.0 and to maintain a current ratio greater than 1.0 (current assets divided by current liabilities less unused bank debt). In its convertible debenture agreement, the financial covenants are to maintain a ratio of equity to total assets of at least 30% and to limit the amount of security and encumbrances the Company has on its total assets to 27.5%. The Company also maintains local Colombian operating lines of credit that are primarily used to issue letters of credit to guarantee exploration work commitments.

During the six months ended June 30, 2009 the Company repurchased 1,874,600 common shares at an average cost of \$9.05 (Cdn\$10.83) per share, totalling \$17.0 million, under a Normal Course Issuer Bid (“NCIB”). The Company is authorized to purchase up to 5,032,718 common shares until August 17, 2009 and has repurchased 3,200,600 common shares since the start of the NCIB. Common shares acquired under the NCIB are cancelled.

Commitments

Pursuant to exploration contracts, the Company has work commitments totalling \$61.8 million to be completed during the next three years. The work commitments are normal course of business exploration activities that include property costs, acquisition and processing of seismic data and drilling exploration wells. The Company has issued letters of credit totalling \$10.2 million and pledged \$3.5 million in restricted cash to guarantee the obligations under these exploration contracts.

In addition, the Company has an estimated \$3.8 million construction commitment to complete the final phase of the Monterrey crude oil offloading facility.

The following is a summary of the estimated costs required to fulfill the Company's remaining contractual commitments as at June 30, 2009:

Type of Obligation	Total	< 1 Year	1-3 Years
Convertible debentures ⁽¹⁾	81,700	-	81,700
Colombia - exploration contracts	54,400	30,700	23,700
Peru - Block 126 exploration contract	7,400	-	7,400
Monterrey - offloading facility	3,833	3,833	-
Total	147,333	34,533	112,800

⁽¹⁾ The convertible debentures mature on December 6, 2010.

Outstanding Share Data

The number of Petrominerales shares outstanding at August 5, 2009 is 97,843,881.

Transactions with Related Parties

The Company is party to a Management Services Agreement with Petrobank. From the effective date, May 1, 2006, to March 31, 2009, Petrominerales paid a monthly fee of Cdn\$75,000. Effective April 1, 2009, the monthly fee was increased to Cdn\$130,000 and is based on a negotiated value of services provided. Costs under this agreement totalled \$0.3 million (2008 – \$0.2 million) and \$0.5 million (2008 - \$0.4 million), respectively, for the three and six months ended June 30, 2009 and were recorded as general and administrative expense.

RISKS AND UNCERTAINTIES

There have been no significant changes in the six months ended June 30, 2009 to the risks and uncertainties identified in the MD&A for the year ended December 31, 2008.

Sensitivities

The Company's earnings and cash flow are sensitive to changes in the price of crude oil. The following factors demonstrate the expected impact on annualized before tax cash flow:

Change of:		(millions)
Crude oil	\$1.00/bbl WTI reference price (assuming 20,000 bopd)	\$6.3
	500 bopd of production @ \$50/bbl WTI	\$5.6

Critical Accounting Policies and Estimates

The Company's financial statements are prepared in accordance with Canadian GAAP, which require management to make judgements, estimates and assumptions, which may have a significant impact on the financial statements. A summary of the Company's significant accounting policies can be found in Note 2 to the Company's 2008 consolidated financial statements. The following is a discussion of those accounting policies and estimates that are considered critical in the determination of the Company's financial results.

Capital Assets — Full Cost Accounting

The Company follows the full cost method of accounting and alternatively, could follow the successful efforts method of accounting whereby all costs related to non-productive wells are expensed in the period in which they are incurred.

Under the full cost method of accounting, capitalized costs are subject to a country-by-country cost centre impairment test. Under the successful efforts method of accounting, the costs are aggregated on a property-by-property basis and the carrying value of each property is subject to an impairment test. These policies may result in a different carrying value for capital assets and a different net income. The full cost method is the method most commonly followed by Petrominerales' peer group of companies.

Under full cost accounting, a limit is placed on the carrying value of the net capitalized costs in each cost centre in order to test impairment. Impairment exists when the carrying value of developed properties of a cost centre exceeds the estimated undiscounted future net cash flows associated with the cost centre's proved reserves. Costs relating to undeveloped properties are subject to individual impairment assessments until it can be determined whether or not proved reserves exist. If impairment is determined to exist, the costs carried on the balance sheet in excess of the discounted future net cash flows associated with the cost centre's proved plus probable reserves are charged to income.

Reserve Estimates

Reserve estimates can have a significant impact on net income and the carrying value of capital assets. The process of estimating reserves requires significant judgement based on available geological, geophysical, engineering, and economic data, projected rates of production, estimated commodity price forecasts and the timing of future expenditures, all of which are subject to interpretation and uncertainty. Reserve estimates impact net income through depletion expense and the application of impairment tests. Revisions or changes in reserve estimates can have either a positive or a negative impact on net income and can impact the carrying amount of capital assets.

Creditors also use reserve estimates to assess the allowable borrowing base under secured credit facilities. Changes to the reserve estimates can result in borrowing base increases or decreases, which could impact the Company's financial position.

Future Income Taxes

The Company recognizes a future income tax liability based on estimates of temporary differences between the book and tax value of its assets. An estimate is also used for both the timing and tax rate upon reversal of the temporary differences. Actual differences and the timing of reversals may differ from estimates, impacting the future income tax balance and net income.

Changes in Accounting Policies

On January 1, 2009 the Company adopted the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3064, “Goodwill and Intangible Assets”. The new section replaces the previous goodwill and intangible asset standard and revises the requirement for recognition, measurement, presentation and disclosure of intangible assets. The adoption of this standard had no impact on the Company’s consolidated financial statements.

On January 1, 2009, the Company adopted the CICA EIC-173, “Credit Risk and the Fair Value of Financial Assets and Financial Liabilities”. The EIC provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. The adoption of this EIC had no impact on the Company’s consolidated financial statements.

On April 1, 2009, the Company adopted CICA Section 1582, “Business Combinations”, which will replace the former guidance on business combinations. Under the new standard, the purchase price used in a business combination is based on the fair value of consideration exchanged at the date of exchange. Currently the purchase price used is based on the fair value of the consideration for a reasonable period before and after the date of acquisition is agreed upon and announced. The new standard requires all acquisition costs be expensed, which are currently capitalized as part of the purchase price. In addition, the new standard modified the accounting for contingent consideration and negative goodwill. The adoption of this standard will impact the accounting treatment of future business combinations.

On April 1, 2009, the Company adopted CICA Sections 1601, “Consolidated Financial Statements”, and 1602, “Non-controlling Interests”, which replaces existing guidance. Section 1601 establishes standards for the preparation of consolidated financial statements and Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary subsequent to a business combination. The adoption of these standards had no impact on the Company’s consolidated financial statements.

Recent and Pending Accounting Pronouncements

In June 2009, the CICA issued amendments to CICA Handbook Section 3862, “Financial Instruments — Disclosures”. The amendments include enhanced disclosures related to the fair value of financial instruments and the liquidity risk associated with financial instruments. The amendments will be effective for annual financial statements for fiscal years ending after September 30, 2009. The amendments are consistent with recent amendments to financial instrument disclosure standards in International Financial Reporting Standards (“IFRS”). The Company will include these additional disclosures in its annual consolidated financial statements for the year ending December 31, 2009.

International Financial Reporting Standards

The Canadian Accounting Standards Board has confirmed that International Financial Reporting Standards (“IFRS”) will replace Canadian GAAP effective January 1, 2011, including comparatives for 2010, for Canadian publicly accountable enterprises. The Company has completed its high-level IFRS impact study and established a preliminary timeline for the execution and completion of the conversion project. The impact of IFRS on the Company’s consolidated financial statements is not reasonably determinable at this time. Key information will be disclosed as it becomes available during the transition period.

Regulatory Policies

Certification of Disclosures in Interim Filings

In accordance with Multilateral Instrument 52-109 of the Canadian Securities Administrators, the Company quarterly issues a “Certification of Interim Filings” (“Certification”). The Certification requires certifying officers to state that they are responsible for establishing and maintaining disclosure controls and procedures (“DC&P”) and internal control over financial reporting (“ICFR”).

The Certification requires certifying officers to state that they designed DC&P, or caused it to be designed under their supervision, to provide reasonable assurance that: (i) material information relating to Petrominerales is made known to the certifying officers by others; (ii) information required to be disclosed by Petrominerales in reports filed with, or submitted to, securities regulatory authorities is recorded, processed, summarized and reported within the time periods specified under Canadian securities legislation. In addition, the Certification requires certifying officers to state that they have designed ICFR, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes.

During the quarter and six months ended June 30, 2009, there has been no change in the Company’s ICFR that has materially affected, or is reasonably likely to materially affect, the Company’s ICFR. The Company has continually had in place systems relating to DC&P and ICFR and will continue to monitor such procedures as the Company’s business evolves.

Outlook

In addition to the plans discussed in this MD&A, please see the Company’s second quarter 2009 Operational Update and the 2008 Annual Report.

CONSOLIDATED BALANCE SHEETS

(Unaudited, thousands of United States dollars)

As at	June 30, 2009	December 31, 2008
Assets		
Current assets		
Cash and cash equivalents	\$ 16,165	\$ 82,174
Restricted cash (Note 3)	3,472	4,481
Accounts receivable	81,992	24,968
Crude oil inventory	1,500	-
	103,129	111,623
Other assets (Note 4)	15,262	2,657
Capital assets	514,846	451,425
Total assets	\$ 633,237	\$ 565,705
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 110,632	\$ 62,724
Bank debt (Note 3)	10,000	-
	120,632	62,724
Future income tax liabilities	19,794	21,885
Convertible debentures	74,545	72,403
Asset retirement obligations	5,432	5,412
	220,403	162,424
Shareholders' equity		
Convertible debentures	10,407	10,407
Common shares (Note 5)	193,071	194,859
Contributed surplus (Note 5)	6,131	4,191
Accumulated other comprehensive income (Note 5)	16,024	16,024
Retained earnings	187,201	177,800
	412,834	403,281
Total liabilities and shareholders' equity	\$ 633,237	\$ 565,705

Commitments and contingencies (Note 11)

See accompanying notes to these consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

(Unaudited, thousands of United States dollars, except per share amounts)

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Revenues				
Oil	\$ 104,823	\$ 77,915	\$ 181,175	\$ 147,507
Royalties	(8,355)	(7,346)	(15,443)	(13,806)
Interest income	172	387	252	1,690
Loss on risk management contracts (Note 8)	-	(9,700)	-	(11,833)
	96,640	61,256	165,984	123,558
Expenses				
Production	13,164	7,176	24,580	15,682
Transportation	11,472	1,391	22,715	3,254
General and administrative	2,732	2,681	5,483	5,115
Stock-based compensation (Note 5)	1,232	667	2,368	1,077
Interest (Note 6)	2,218	2,745	4,594	5,407
Foreign exchange loss (gain)	6,124	(906)	3,315	1,411
Depletion, depreciation and accretion	39,423	14,517	80,556	30,809
	76,365	28,271	143,611	62,755
Income before taxes	20,275	32,985	22,373	60,803
Equity and current income taxes	1,177	1,761	2,359	2,678
Future income taxes (recovery)	3,775	537	(2,697)	5,210
Net income	15,323	30,687	22,711	52,915
Retained earnings, beginning of period	180,226	75,621	177,800	53,393
Repurchase of common shares (Note 5)	(8,348)	-	(13,310)	-
Retained earnings, end of period	\$ 187,201	\$ 106,308	\$ 187,201	\$ 106,308
Basic earnings per share (Note 5)	\$ 0.16	\$ 0.31	\$ 0.23	\$ 0.53
Diluted earnings per share (Note 5)	\$ 0.15	\$ 0.30	\$ 0.23	\$ 0.51

See accompanying notes to these consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited, thousands of United States dollars)

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Net income	\$ 15,323	\$ 30,687	\$ 22,711	\$ 52,915
Other comprehensive income	-	-	-	-
Comprehensive income	\$ 15,323	\$ 30,687	\$ 22,711	\$ 52,915

See accompanying notes to these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOW

(Unaudited, thousands of United States dollars)

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Operating Activities				
Net income	\$ 15,323	\$ 30,687	\$ 22,711	\$ 52,915
Depletion, depreciation and accretion	39,423	14,517	80,556	30,809
Future income taxes (recovery)	3,775	537	(2,697)	5,210
Unrealized foreign exchange gain	3,126	-	606	-
Accretion on convertible debentures	1,090	1,208	2,142	2,388
Stock-based compensation	1,232	667	2,368	1,077
Amortization of deferred financing costs	129	129	258	216
Unrealized loss on risk management contracts	-	5,480	-	5,763
	64,098	53,225	105,944	98,378
Changes in non-cash working capital (Note 9)	1,190	(12,820)	(42,267)	(68,066)
	65,288	40,405	63,677	30,312
Financing Activities				
Issuance (repayment) of bank debt	10,000	(10,000)	10,000	(10,000)
Repurchase of common shares (Note 5)	(10,446)	-	(16,972)	-
Issuance of common shares	1,201	1,242	1,446	1,480
Financing costs	(22)	(300)	(210)	(300)
	733	(9,058)	(5,736)	(8,820)
Investing Activities				
Expenditures on capital assets	(79,527)	(79,714)	(144,898)	(148,212)
Expenditures on other assets	(9,200)	-	(12,521)	-
Changes in restricted cash	(284)	-	1,009	-
Changes in non-cash working capital (Note 9)	12,817	11,393	32,460	17,613
	(76,194)	(68,321)	(123,950)	(130,599)
Net change in cash and cash equivalents	(10,173)	(36,974)	(66,009)	(109,107)
Cash and cash equivalents, beginning of period	26,338	98,963	82,174	171,096
Cash and cash equivalents, end of period	\$ 16,165	\$ 61,989	\$ 16,165	\$ 61,989
Cash and cash equivalents consist of:				
Cash	\$ 312	\$ 2,157	\$ 312	\$ 2,157
Cash equivalents	\$ 15,853	\$ 59,832	\$ 15,853	\$ 59,832
Other cash flow information:				
Cash taxes paid	\$ 904	\$ 1,049	\$ 904	\$ 2,156
Cash interest paid	\$ 1,923	\$ 2,233	\$ 2,332	\$ 2,705
Cash interest received	\$ 173	\$ 356	\$ 252	\$ 1,640

See accompanying notes to these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2009 and 2008

(Unaudited, all tabular amounts are expressed in thousands of United States dollars, except share amounts or as otherwise noted)

Note 1 – Significant Accounting Policies

The interim consolidated financial statements for Petrominerales Ltd. (“Petrominerales” or the “Company”) as at and for the three and six months ended June 30, 2009 should be read in conjunction with the audited consolidated financial statements as at and for the year ended December 31, 2008. The notes to these interim consolidated financial statements do not conform in all respects to the note disclosure requirements of generally accepted accounting policies (“GAAP”) for annual consolidated financial statements. These interim consolidated financial statements are prepared using the same accounting policies and methods of computation as disclosed in the annual consolidated financial statements as at and for the year ended December 31, 2008, except for those disclosed in Note 2 below. The disclosures provided within are incremental to those included with the annual financial statements.

Note 2 – New Accounting Policies and Changes in Accounting Policies

New Accounting Policies

Crude oil inventory, consisting of production in transit or in storage tanks at the balance sheet date, is valued at the lower of cost, using the weighted average cost method, or net realizable value. Costs include direct and indirect expenditures incurred in bringing the crude to its existing condition and location.

Changes in Accounting Policies

On January 1, 2009, the Company adopted the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3064, “Goodwill and Intangible Assets”. The new section replaces the previous goodwill and intangible asset standard and revises the requirement for recognition, measurement, presentation and disclosure of intangible assets. The adoption of this standard had no impact on the Company’s consolidated financial statements.

On January 1, 2009, the Company adopted the CICA’s EIC-173, “Credit Risk and the Fair Value of Financial Assets and Financial Liabilities”. The EIC provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. The adoption of this EIC had no impact on the Company’s consolidated financial statements.

On April 1, 2009, the Company adopted CICA Section 1582, “Business Combinations”, which will replace the former guidance on business combinations. Under the new standard, the purchase price used in a business combination is based on the fair value of consideration exchanged at the date of exchange. Currently the purchase price used is based on the fair value of the consideration for a reasonable period before and after the date of acquisition is agreed upon and announced. The new standard requires all acquisition costs be expensed, which are currently capitalized as part of the purchase price. In addition, the new standard modified the accounting for contingent consideration and negative goodwill. The adoption of this standard will impact the accounting treatment of future business combinations.

On April 1, 2009, the Company adopted CICA Sections 1601, “Consolidated Financial Statements”, and 1602, “Non-controlling Interests”, which replaces existing guidance. Section 1601 establishes standards for the preparation of consolidated financial statements and Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary subsequent to a business combination. The adoption of these standards had no impact on the Company’s consolidated financial statements.

Recent and Pending Accounting Pronouncements

In June 2009, the CICA issued amendments to CICA Handbook Section 3862, “Financial Instruments — Disclosures”. The amendments include enhanced disclosures related to the fair value of financial instruments and the liquidity risk associated with financial instruments. The amendments will be effective for annual financial statements for fiscal years ending after September 30, 2009. The amendments are consistent with recent amendments to financial instrument disclosure standards in International Financial Reporting Standards (“IFRS”). The Company will include these additional disclosures in its annual consolidated financial statements for the year ending December 31, 2009.

The Canadian Accounting Standards Board has confirmed that IFRS will replace Canadian GAAP effective January 1, 2011, including comparatives for 2010, for Canadian publicly accountable enterprises. The Company has completed its high-level IFRS impact study and established a preliminary timeline for the execution and completion of the conversion project. The impact of IFRS on the Company’s consolidated financial statements is not reasonably determinable at this time. Key information will be disclosed as it becomes available during the transition period.

Note 3 – Bank Debt and Restricted Cash

At June 30, 2009, the Company had \$10.0 million of bank debt outstanding under its secured credit facility. The borrowing base under this facility is \$80.0 million, secured by all assets of the Company and it matures on December 20, 2009.

The Company also has an \$18.6 million operating line of credit in Colombia. Interest is charged at the fixed term deposit rate set by the Central Bank of Colombia plus six percent. Advances under the facility are collateralized by a promissory note provided by the Company. Subsequent to the quarter, the operating line of credit was increased to \$29.4 million.

At June 30, 2009, the Company had letters of credit totalling \$10.2 million outstanding to guarantee work commitments under exploration blocks and inventory purchases. Certain letters of credit were issued against the Colombian operating line of credit (\$6.4 million) and reduce the amount available under the operating line. The Company had restricted cash of \$3.5 million relating to cash deposited to guarantee work commitments under exploration blocks and cash deposited as collateral for a letter of credit.

Note 4 – Other Assets

	Prepaid Pipeline Tariffs	Deferred Charges	Total Other Assets
Balance at December 31, 2008	\$ 2,141	\$ 516	\$ 2,657
Additions	12,653	210	12,863
Less: amortization	-	(258)	(258)
Balance at June 30, 2009	\$ 14,794	\$ 468	\$ 15,262

Prepaid pipeline tariffs consist of costs incurred on the construction of a crude oil offloading facility. The Company's share of the remaining construction costs is estimated to be \$3.8 million. The costs incurred will be amortized using the unit of production method based on the barrels of oil delivered to the facility.

Note 5 – Share Capital

Authorized

The Company has authorized capital of 200,000,000 common shares, with a par value of \$1.00 per common share.

Common Shares

Changes in Common Shares	Number	Amount
Balance at December 31, 2008	99,399,431	\$ 194,859
Repurchase and cancellation of common shares	(1,896,900)	(3,662)
Exercise of stock options	427,650	1,446
Transfer from contributed surplus related to stock options exercised	-	428
Balance at June 30, 2009	97,930,181	\$ 193,071

Normal Course Issuer Bid

During the six months ended June 30, 2009, the Company repurchased 1,874,600 common shares at an average cost of \$9.05 (Cdn\$10.83) per share, totalling \$17.0 million, under a Normal Course Issuer Bid (“NCIB”). The Company is authorized to purchase up to 5,032,718 common shares until August 17, 2009 and has repurchased 3,200,600 common shares since the start of the NCIB. Common shares acquired under the NCIB are cancelled.

Of the amount paid to repurchase the shares during the six months ended June 30, 2009, share capital was reduced by \$3.7 million and the remaining \$13.3 million was recorded as a reduction of retained earnings. During the three months ended June 30, 2009, share capital was reduced by \$2.1 million and the remaining \$8.4 million was recorded as a reduction of retained earnings.

Contributed Surplus

Changes in Contributed Surplus	Amount
Balance at December 31, 2008	\$ 4,191
Stock-based compensation	2,368
Transfer to common shares related to stock options exercised	(428)
Balance at June 30, 2009	\$ 6,131

Accumulated Other Comprehensive Income

There has been no change to accumulated other comprehensive income for the three and six months ended June 30, 2009 and 2008.

Stock Options

The Company has established a stock option plan for directors, officers, employees and consultants. The plan allows for the issuance of up to 10 percent of the outstanding shares of the Company, less shares reserved under other Company stock-based compensation plans such as the deferred common share compensation plan. The exercise price is no less than the market price of the Company's stock on the date of the grant. Stock option terms are determined by the Company's Board of Directors but typically, options vest evenly over a period of four years from the date of grant and expire between five and 10 years after the date of grant.

Changes in Stock Options Outstanding	Stock Options	Weighted-Average Exercise Price (Cdn\$)
Balance at December 31, 2008	6,192,723	6.11
Granted	654,764	10.53
Exercised	(427,650)	3.99
Forfeited	(54,939)	6.79
Balance at June 30, 2009	6,364,898	6.70

Deferred Common Share Compensation Plan

The Company has established a deferred share compensation plan whereby the Company may grant deferred common shares to its directors, officers and employees. The plan allows holders to receive one common share upon payment of \$0.05 per share. The deferred common shares vest after three years or upon the recipient leaving the Company, and expire 10 years from the date of grant. Up to 0.5 million deferred common shares have been approved for issuance under this plan.

Changes in Deferred Common Shares Outstanding	Number
Balance at December 31, 2008	39,263
Granted	49,125
Balance at June 30, 2009	88,388

Stock-Based Compensation

The fair values of stock options and deferred common shares granted have been estimated on their respective grant dates using the Black-Scholes option-pricing model using the following assumptions:

Six months ended June 30,	2009
Risk free interest rate	1.75 - 2.25%
Dividend rate	0%
Expected life – options (years)	3.0 – 4.0
Expected life – deferred common shares (years)	8.0
Expected volatility	42.5%

The average fair value per stock option granted during the three and six months ended June 30, 2009 was \$3.46 (2008 – \$4.99) and \$2.79 (2008 – \$4.84) respectively, as at the date of grant. The average fair value per deferred common share granted during the three and six months ended June 30, 2009 was \$9.34 (2008 – \$16.53) and \$8.33 (2008 – \$16.53), respectively, as at the date of grant.

Earnings Per Share

The following tables summarize the weighted average number of common shares used in calculating basic and diluted earnings per share. No adjustments were required to net income.

Three months ended June 30,	2009	2008
Weighted average common share adjustments		
Weighted average common shares outstanding, basic	97,973,894	100,443,618
Effect of stock options and deferred common shares	1,900,784	2,516,528
Weighted average common shares outstanding, diluted	99,874,678	102,960,146

Six months ended June 30,	2009	2008
Weighted average common share adjustments		
Weighted average common shares outstanding, basic	98,629,354	100,369,326
Effect of stock options and deferred common shares	1,033,210	2,827,624
Weighted average common shares outstanding, diluted	99,662,564	103,196,950

The potential dilutive effect of the convertible debentures was not included in the diluted earnings per share calculation as they were anti-dilutive.

Note 6 – Interest Expense

Interest expense includes the following:

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Cash interest and standby charges	999	1,408	2,194	2,803
Accretion on convertible debentures	1,090	1,208	2,142	2,388
Amortization of deferred financing costs	129	129	258	216
Interest expense	2,218	2,745	4,594	5,407

Note 7 – Capital Management

The Company's policy is to maintain a strong capital base in order to provide flexibility in the future development of the business and maintain investor, creditor and market confidence.

The Company manages its capital structure and makes adjustments in response to changes in economic conditions and the risk characteristics of the underlying assets. The Company considers its capital structure to include common share capital, convertible debentures, bank debt and working capital deficiency (a non-GAAP measure defined as accounts payable and accrued liabilities less current assets). In order to maintain or adjust the capital structure, from time to time the Company may issue common shares or other securities, sell assets or adjust its capital spending to manage current and projected debt levels. The Company may also repurchase common shares when the Company believes the market price does not reflect the underlying values of the common shares. The purchase of common shares for cancellation is considered to be advantageous to shareholders by increasing the value of the remaining common shares.

As at	June 30, 2009	December 31, 2008
Bank debt ⁽¹⁾	\$ 10,000	\$ -
Working capital deficiency (surplus)	\$ 7,503	\$ (48,899)
Convertible debentures – principal amount ⁽²⁾	\$ 81,700	\$ 81,700
Common share capital	\$ 193,071	\$ 194,859

⁽¹⁾ Petrominerales has a revolving credit facility with an \$80 million borrowing base and a Colombian operating line of credit of \$18.6 million.

⁽²⁾ The debentures mature December 6, 2010, are convertible into common shares at \$27.3485 per share and have an annual coupon of 3.375%, payable semi-annually in cash or common shares. Petrominerales has an option to force conversion of the debentures at the prevailing conversion price after December 6, 2009, should the price of the Company's common shares exceed 130% of the prevailing conversion price of the debentures for 20 trading days within a period of 30 consecutive trading days.

The Company monitors leverage and adjusts its capital structure based on the ratio of net debt to annualized cash flow. This ratio is calculated as net debt, a non-GAAP measure the Company defines as outstanding bank debt plus the principal amount of convertible debentures and working capital deficiency, divided by cash flow from operations before changes in non-cash working capital for the most recent calendar quarter, annualized. At June 30, 2009, the ratio of net debt to annualized cash flow was 0.5 to 1, within an acceptable range to the Company. Petrominerales uses the ratio of net debt to cash flow as a key indicator of the Company's leverage and to monitor the strength of the balance sheet. In order to facilitate the management of this ratio, the Company prepares annual budgets, which are updated as necessary depending on varying factors including current and forecast crude oil prices, changes in capital structure, execution of the Company's business plan and general industry conditions. The annual budget is approved by the Board of Directors and updates are prepared and reviewed as required.

The Company's bank debt agreement matures on December 20, 2009. Petrominerales has initiated a process with the lender to re-new the bank facility and adjust the borrowing base to reflect current reserves.

The Company is in compliance with the covenants contained in its convertible debenture and credit facility agreements. In its credit facility agreement, the financial covenants are to maintain a ratio of bank debt to trailing 12 month earnings before interest, tax, depletion, depreciation and amortization under 2.0 and to maintain a current ratio greater than 1.0 (current assets divided by current liabilities less unused bank debt). In its convertible debenture agreement, the financial covenants are to maintain a ratio of equity to total assets of at least 30% and to limit the amount of security and encumbrances the Company has on its total assets to 27.5% of total assets.

The Company has not paid or declared any dividends since the date of incorporation.

Note 8 – Financial Instruments and Financial Risk Management

The Company has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk and market risk. This Note presents information about the Company's exposure to each of the above risks, and the Company's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's financial risk management framework and monitors risk management activities. The Company identifies and analyzes the risks faced by the Company and may utilize financial instruments to mitigate these risks.

Credit Risk

Crude oil production is sold, as determined by market based prices adjusted for quality differentials, to three main counterparties. The majority of crude oil production is sold to Ecopetrol, the Colombian state oil company, and the remainder to three international oil companies. Typically, the Company's maximum credit exposure to customers is up to two months' sales revenue. The Company does not anticipate non-performance by any of the counterparties.

Accounts Receivable Breakdown	June 30, 2009	December 31, 2008
Crude oil customers	\$ 72,854	\$ 11,497
Tax receivable	5,107	8,238
Other receivables	4,031	5,233
Total	\$ 81,992	\$ 24,968

Receivables from crude oil customers are normally collected approximately 45 days after the month of production. The Company's policy to mitigate credit risk associated with these balances is to establish marketing relationships with large purchasers, negotiate early payment, obtain credit guarantees and or credit insurance. The Company historically has not experienced any collection issues with its crude oil customers.

Cash and cash equivalents and restricted cash consist of cash bank balances and short term deposits maturing in less than 90 days. The Company manages the credit exposure related to short term investments by selecting counterparties based on credit ratings and monitors all investments to ensure a stable return, avoiding complex investment vehicles with higher risk such as asset backed commercial paper.

The carrying amount of accounts receivable, cash and cash equivalents and restricted cash represent the maximum credit exposure. The Company does not have an allowance for doubtful accounts as at June 30, 2009, and did not provide for any doubtful accounts nor was it required to write-off any receivables during the period ended June 30, 2009.

Aged Accounts Receivable	June 30, 2009	December 31, 2008
Not past due (less than 45 days)	\$ 79,372	\$ 23,894
Past due 0-30 days	730	738
Past due 31-120 days	1,890	336
Total	\$ 81,992	\$ 24,968

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, within reasonable means, sufficient liquidity to meet its liabilities when due, under both normal and unusual conditions, without incurring unacceptable losses or jeopardizing the Company's business objectives.

The Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. Crude oil production is monitored daily to provide current cash flow estimates and the Company utilizes authorizations for expenditures on projects to manage capital expenditures. To facilitate the capital expenditure program, the Company has a revolving reserve based credit facility, as outlined in Note 3, which is reviewed at least semi-annually by the lender.

The following are the contractual maturities of financial liabilities as at June 30, 2009:

Financial Liability	< 1 Year	1-2 Years	Thereafter	Total
Accounts payable and accrued liabilities	\$ 110,632	\$ -	\$ -	\$ 110,632
Bank debt	10,000			10,000
Convertible debentures – principal	-	81,700	-	81,700
Total	\$ 120,632	\$ 81,700	\$ -	\$ 202,332

Market Risk

Market risk is the risk that changes in market factors, such as foreign exchange rates, commodity prices, and interest rates will affect the Company's cash flows, net income, liquidity or the value of financial instruments. The objective of market risk management is to mitigate market risk exposures where considered appropriate and maximize returns.

The Company may utilize derivative instruments to manage market risk. The Board of Directors periodically reviews the results of all risk management activities and all outstanding positions.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign currency exchange rates. The Company is exposed to foreign currency fluctuations as certain expenditures are denominated in Colombian pesos and Canadian dollars. As at June 30, 2009, if the U.S. dollar had appreciated five percent against the Colombian peso with all other variables held constant, net income and other comprehensive income for the six month period would have been \$1.7 million higher (2008 – \$0.5 million higher), due primarily to peso denominated accounts payable and future income tax liabilities.

The Company had no forward exchange rate contracts in place as at or during the three and six months ended June 30, 2009.

Commodity Price Risk

Commodity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in commodity prices. Significant changes in commodity prices can also impact the Company's borrowing base under its secured credit facility. Lower commodity prices can also reduce the Company's ability to raise capital. Commodity prices for crude oil are impacted by world economic events that dictate the levels of supply and demand. From time to time the Company may attempt to mitigate commodity price risk through the use of financial derivatives. The Company's policy is to only enter into commodity contracts considered appropriate to a maximum of 50 percent of forecasted production volumes.

The Company did not have any risk management contracts outstanding during the three and six months ended June 30, 2009. During the three and six months ended June 30, 2008, the Company recorded losses on risk management contracts of \$9.7 million (unrealized - \$5.5 million) and \$11.8 million (unrealized - \$5.8 million), respectively. The realized loss related to actual monthly settlements incurred during the period and the unrealized gain (loss) represented the change in fair value of the contracts related to estimated future settlements.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate cash flow risk on floating interest rate bank debt, to the extent it is drawn, due to fluctuations in market interest rates and interest rate price risk on fixed rate convertible debentures. The remainder of the Company's financial assets and liabilities are not exposed to interest rate risk. The Company's sensitivity to interest rates is currently immaterial.

The Company had no interest rate swap or financial contracts in place as at or during the three and six months ended June 30, 2009.

Fair Value of Financial Instruments

The Company's financial instruments are cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities, bank debt and convertible debentures on the balance sheet. The carrying value and fair value of these financial instruments at June 30, 2009 is disclosed below by financial instrument category, as well as any related gain and interest expense for the six months ended June 30, 2009:

Financial Instrument	Carrying Value	Fair Value	Interest Expense
<i>Assets Held For Trading</i>			
Cash and cash equivalents ⁽¹⁾	16,165	16,165	-
Restricted cash	3,472	3,472	-
<i>Loans and Receivables</i>			
Accounts receivable	81,992	81,992	-
<i>Other Liabilities</i>			
Accounts payable and accrued liabilities	110,632	110,632	-
Bank debt	10,000	10,000	644 ⁽²⁾
Convertible debentures	74,545	71,100 ⁽³⁾	3,509 ⁽⁴⁾

⁽¹⁾ The effective yield on cash equivalents at June 30, 2009 was 0.23% (December 31, 2008 – 0.56%).

⁽²⁾ Included in interest expense on the statement of operations. The amortization of deferred financing costs of \$0.3 million in relation to the Company's bank debt is included on the statement of cash flow.

⁽³⁾ The fair value of the convertible debentures debt and equity components are difficult to measure reliably due to lack of active trading information. The Company repurchased \$18.3 million of debentures in October and November 2008 at 61% of the principal amount. The Company estimated the fair value of the convertible debentures based on recent market transactions. The principal amount of the convertible debentures at June 30, 2009 was \$81.7 million.

⁽⁴⁾ Included in interest expense on the statement of operations. The non-cash interest expense relating to the accretion of the initial discount and transaction costs that are netted against this liability are included in accretion on convertible debentures on the statement of cash flow. The effective yield of the convertible debentures is 9.7%.

Bank debt bears interest at a floating rate and accordingly the fair value approximates the carrying value. Due to the short term nature of cash and cash equivalents, restricted cash, accounts receivable and accounts payable and accrued liabilities, their carrying values approximate their fair values.

Note 9 – Changes in Non-Cash Working Capital

Six months ended June 30,	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Change in:				
Accounts receivable	\$ (11,451)	\$ (9,596)	\$ (57,024)	\$ (54,607)
Accounts payable and accrued liabilities	25,810	8,169	47,908	4,521
Inventory	(472)	-	(1,500)	-
Depletion related to other current assets	120	-	809	(367)
	\$ 14,007	\$ (1,427)	\$ (9,807)	\$ (50,453)
Changes relating to:				
Attributable to operating activities	\$ 1,190	\$ (12,820)	\$ 42,267	\$ (68,066)
Attributable to investing activities	\$ 12,817	\$ 11,393	\$ 32,460	\$ 17,613

Note 10 – Related Party Transactions

The Company is party to a Management Services Agreement with Petrobank. From the effective date, May 1, 2006, to March 31, 2009, Petrominerales paid a monthly fee of Cdn\$75,000. Effective April 1, 2009, the monthly fee was increased to Cdn\$130,000 and is based on a negotiated value of services provided. Costs under this agreement totalled \$0.3 million (2008 – \$0.2 million) and \$0.5 million (2008 - \$0.4 million), respectively, for the three and six months ended June 30, 2009 and were recorded as general and administrative expense.

Note 11 – Commitments and Contingencies

Pursuant to exploration contracts, the Company has work commitments totalling \$61.8 million to be completed during the next three years. The work commitments are normal course of business exploration activities that include property costs, acquisition and processing of seismic data and drilling exploration wells. The Company has issued letters of credit totalling \$10.2 million and pledged \$3.5 million in restricted cash to guarantee the obligations under these exploration contracts.

As discussed in Note 4, the Company has entered into an agreement to construct a crude oil offloading facility. The Company's portion of the remaining construction costs are estimated to be \$3.8 million, and are planned to be incurred by the end of 2009.